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16158.0023

May 9, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., SW
Washington, D.C. 20554

RECEIVED
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

NOTICE OF EX PARTE
PRESENTATION

Re: CC Docket No. 96-128 (remand of inmate service issues)

Dear Ms. Salas:

On May 8, 2000, Robert Aldrich of this law firm and Vince Townsend of Pay-Tel Communications, Inc., representing the Inmate Calling Service Providers Coalition, met with Yog Varma, Deputy Chief of the Common Carrier Bureau, Deena Shetler, Assistant to the Bureau Chief, and Tamara Preiss of the Competitive Pricing Division.

We discussed the proceeding regarding inmate calling services on remand from the United States Court of Appeals for the D.C. Circuit. In particular, we discussed (1) the need for the Federal Communications Commission to provide, pursuant to 47 U.S.C. § 276, fair compensation for inmate service providers for local collect calls where state rate ceilings preclude recovery of the cost of the calls; and (2) the need for the Federal Communications Commission to make clear that "inmate telephone service," for purposes of the Section 276 ban on Bell company discriminations and subsidies, as well as the compensation provision, includes not only the equipment but also the collect calling service provided for the use of inmates.

Regarding the compensation issue, the following points were discussed, and are reflected in the attached material that was handed out at the meeting.

- ◆ Those commenting parties that claim to be able to make a profit in inmate services do not offer service to city and county jails (where local calls are most prevalent) in the states with the lowest rate ceilings;
- ◆ Gateway, which claimed to have been able to "earn a fair profit" under current regulations, had an \$11.4 million loss (under its new owner T-Netix) in 1999;

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- ◆ The largest independent inmate service provider, Evercom, Inc., incurred a \$10.7 million loss in 1999;
- ◆ Because local calls make up over 80% of the calls from city and county jails, inmate service providers serving jails in low-rate-cap states like North Carolina, South Carolina, and Tennessee are not profitable on their service as a whole -- providers are unable to make up their losses on local calls by charging high rates for interstate calls, even at AT&T's current tariffed interstate rate of \$12.23 for a 12-minute call;
- ◆ There is relatively little difference between the attributable costs of local and long distance calls, based on the cost methodology adopted by the FCC in the Third Report and Order in this proceeding;
- ◆ Given the relatively small difference in costs, to expect service providers to price interstate calls at \$12.23 (AT&T's current rate for a 12-minute call), while pricing local inmate service calls at \$1.02 (the average of NC, SC, and TN rate caps for a 12-minute call) would be in conflict with the FCC's recent findings that "[w]e are unaware of any public policy reason why users of interstate operator services should be required to subsidize users of interstate operator services" and "it would be an undue burden on interstate commerce to have costs of providing intrastate service to prison inmates cross-subsidized by interstate service ratepayers." *Billed Party Preference for InterLATA 0+ Calls*, CC Docket No. 92-77, *Second Report and Order and Order on Reconsideration*, FCC 98-9, released January 29, 1998, ¶¶ 55, 61.

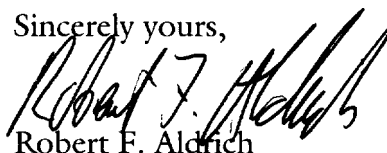
We urged the Commission to ensure that inmate calling service providers are fairly compensated for local calls by authorizing inmate service providers to charge local call rates that recover the per-call costs of local calls in states where the state-imposed rate ceilings applicable to a 12-minute call are lower than per-call costs. We previously submitted a chart showing state-imposed rate ceilings for a 12-minute local inmate service call and cost data, using a methodology similar to the methodology of the Third Report and Order, showing Coalition members' average per-call costs for a 12-minute local call. Alternatively, the Commission could authorize inmate service providers to exceed a

Ms. Magalie Roman Salas
May 9, 2000
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particular state's rate ceiling after submitting cost data showing that the individual provider's per-call costs exceeded the local call rate ceiling in a particular state.

Regarding the Section 276 ban on discrimination and subsidies, we emphasized two key requirements the Commission must address. First, the Commission should make clear that ILECs must utilize separate billing mechanisms for inmate services and regulated local exchange service to ensure that, e.g., uncollectibles from inmate services are not commingled with uncollectibles from regulated local exchange service. Second, the Commission should make clear that ILECs must provide information on a timely basis to all inmate service providers (not just their own operations) regarding the identity of the LEC serving the party receiving a collect inmate service call.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Robert F. Aldrich", written over the typed name.

Robert F. Aldrich

cc: Yog Varma
Deena Shetler
Tamara Preiss
Lenworth Smith
Jon Stover
Lynne Milne
Adam Candeub

THE TELECOMMUNICATIONS ACT OF 1996
INMATE CALLING SERVICES

Specific Mandates of Section 276 of the 1996 Act.

- Section 276(a)(1) directed the Commission to "ensure that all payphone service providers are fairly compensated for each and every completed intrastate and interstate call using their payphone."
- Section 276 also required the Commission to establish nonstructural safeguards to end the BOCs' historical discrimination against independent Inmate Calling Service (ICS) providers in favor of their own ICS operations.

"I am committed to making sure that the Commission does its part to help you compete. That means making every effort to implement and enforce not just the letter, but also the spirit of Section 276 of the Telecom Act."

"Justice delayed is justice denied. And I just think that for too long it has just taken too long to get justice at the FCC, and that is going to change."

FCC Chairman William Kennard, October 20, 1999

For further information contact:

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HISTORY

- The Commission failed to adequately address ICS in the payphone orders.
- The Coalition filed a petition for review of the Commission's rulings with the United States Court of Appeals for the District of Columbia Circuit.
- After the filing of the Coalition's initial brief, the Commission sought a voluntary remand of the case. The Commission acknowledged that it had not adequately addressed the issues raised by the Coalition and asked the court to return the proceeding to the Commission so that it could provide further analysis, promising that it would act expeditiously. The court granted the Commission's request for remand on January 30, 1998.
- Over the past three years members of the Coalition have made 15 trips to Washington seeking the fair compensation and adequate safeguards for fair competition promised by the Telecommunications Act. During this time period we have regrettably had to educate five different sets of Staff in attempting to get movement on our issues.
- Now, over two years later, the Commission is turning its attention to the remand proceeding. In the three years since the *Payphone Orders*, independent ICS providers have struggled to compete without the fair compensation to which they are entitled and without the "level playing field" promised by the Telecommunications Act.

KEY:	Inmate FCC Meetings	NST FCC Meetings	
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1997 INITIATIVES AT FCC

Date	Initiative	FCC Participants	Industry Partitipants
March 19	Meeting-Inmate Rates	Mary Beth Richards	Townsend, DSMO
April 8	Meeting CEI/CAM	Accounting & Audits Division	John O'Keefe, Aldrich
May 6	Meeting - CEI/CAM	Jose Rodriguez & Accounting Staff	Aldrich
July 29	Meeting-Inmate Rates	1st Team Mary Beth Richards Michael Carowitz Glenn Reynolds	Townsend, DSMO

1998 INITIATIVES AT FCC

Date	Initiative	FCC Participants	Industry Partitipants
February 25	Meeting - Inmate Remand	Mary Beth Richards	Kramer
April 21	Meeting - NST - 10:30 AM	Dan Abeyta Calvin Howell	Trathen Townsend, DSMO
April 21	Meeting - Inmate Remand - 4:00 PM	Larry Strickland Glenn Reynolds	Townsend, DSMO
May 14	Meeting - Inmate Remand	2nd Team Rose Crellin Jennifer Myers	Townsend, DSMO
May 14	Meeting - NST	Pat Donovan Dan Abeyta Calvin Howell Raj Kannan	Trathen Townsend, DSMO
May 28	Meeting - Inmate Remand	Jennifer Myers Rose Crellin Craig Stroup	Townsend, Farber
August 19	Meeting - Inmate Remand	3rd Team Anna Gomez Judy Albert	Townsend, DSMO
August 19	Meeting - NST	Calvin Howell Raj Kannan	Trathen Townsend, DSMO
October 13	Letter - Inmate Issues	Kathryn Brown	
October 30	Letter - Inmate Issues	Larry Strickling	

November 5	Meeting - NST	4th Team Kris Monteith Raj Kannan Calvin Howell	Trathen Townsend, DSMO
November 5	Meeting - Inmate Remand	Kris Monteith Calvin Howell	Townsend, DSMO

1999 INITIATIVES AT FCC

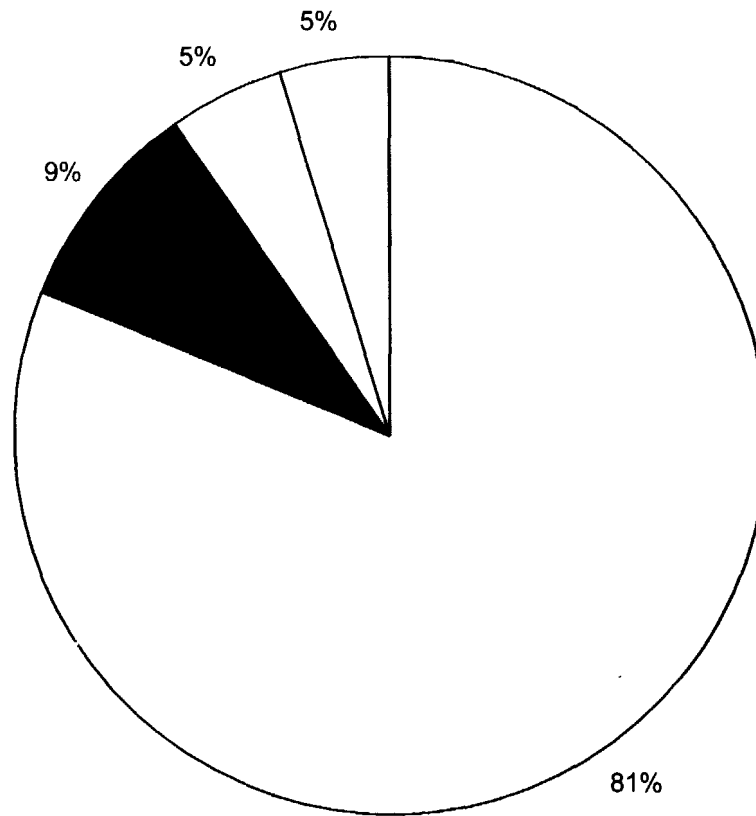
Date	Initiative	FCC Participants	Industry Partitipants
February 24	Meeting - Inmate Remand	Kris Monteith & Staff	Kramer
March 18	Conference Call - Inmate Remand	Kris Monteith & Staff	Kramer
April 1	Call - Inmate Remand Public Notice	Calvin Howell	Farber
April 28	Call - Inmate Remand Public Notice	Calvin Howell	Farber
April 28	NST	Jane Jackson Full Staff	Several Parties
May 6	Public Notice - Inmate Remand		
June	Inmate Remand Comments		
June 29	NST - New Jersey	Lynne Milne, Calvin Howell, Jon Stover, Renee Terry, Raj Kannan	Dennis Linken, Beach, Wood, Townsend, Aldrich
July	Inmate Remand Reply Comments		
August	Inmate Remand Reply Comments		
October 13	Meeting - Inmate Remand	5th Team Lynne Milne, Jon Stover, Renee Perry, Calvin Howell, Raj Kannan	Townsend, Aldrich, Farber
November 17	Meeting - Inmate Remand	Lynne Milne, Jon Stover, Renee Perry, Calvin Howell, Raj Kannan	Townsend, Aldrich

2000 INITIATIVES AT FCC

Date	Initiative	FCC Participants	Industry Partitipants
January 20	Meeting / NST	Jon Stover, Lynne Milne, Calvin Howell, Raj Kannan	Trathen, Townsend, Aldrich
February 2	Meeting / INMATE REMAND	Jon Stover, Lynne Milne, Calvin Howell, Raj Kannan	Aldrich, Townsend

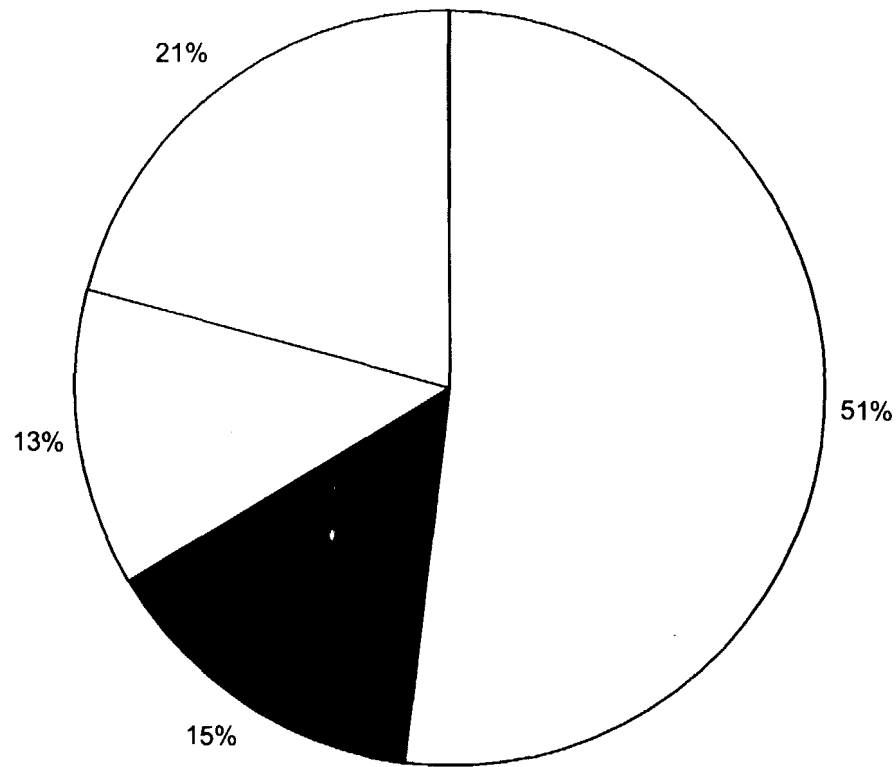
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**COUNTY JAIL
TYPE OF CALL DISTRIBUTION
NC, SC, TN**



□ LOCAL ■ INTRA-LATA □ INTER-LATA □ INTERSTATE

**COUNTY JAIL
REVENUE BY TYPE OF CALL
NC, SC, TN**



□ LOCAL

■ INTRA-LATA

□ INTER-LATA

□ INTERSTATE

Rates for a 12 Minute Local Inmate Collect Call and State-Imposed Rate Ceilings

	State	RBOC	Local Usage Rates		Collect Call Surcharge	Total Cost	Rate Cap?	Rate Cap Details	
			Init. Min	Add'l Min.					
				Notes					
1	Illinois	Ameritech	\$ 0.14	\$ 0.13	\$ 2.50	\$ 4.07	No		
2	New Hampshire	Bell Atlantic	\$ 0.35	\$ 0.24	\$ 1.05	\$ 4.04	Yes	Capped at RBOC (Bell Atlantic) tariff rates	
3	Indiana	Ameritech	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 3.00	\$ 3.35	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
4	Wisconsin	Ameritech	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 3.00	\$ 3.35	Yes	Capped at RBOC (Ameritech) tariff rates
5	Kansas	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 3.25	\$ 3.25	No	
6	California	SBC	\$ 0.35	N/A		\$ 2.90	\$ 3.25	No	
7	Maine	Bell Atlantic	\$ 0.35	\$ 0.14		\$ 1.30	\$ 3.19	Yes	Rates are not capped by rule, but PUC has never allowed a tariff rate higher than Bell Atlantic
8	Texas	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 3.00	\$ 3.00	Yes	All intrastate collect surcharges capped at \$3.75
9	Ohio	Ameritech	\$ 0.35	N/A		\$ 2.50	\$ 2.85	Yes	Capped at RBOC (Ameritech) tariff rates
10	Georgia	Bell South	\$ 0.35	N/A		\$ 2.45	\$ 2.80	Yes	Capped at RBOC (Bell South) tariff rates
11	Nebraska	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No	
12	North Dakota	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No	
13	Wyoming	US West	\$ 0.35	N/A		\$ 2.25	\$ 2.60	No	
14	Oklahoma	SBC	N/A	N/A	no per minute rate -- surcharge only	\$ 2.55	\$ 2.55	Yes	Capped at maximum rate of any certificated LEC in state
15	South Dakota	US West	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 2.10	\$ 2.45	Yes	Capped at RBOC (US West) tariff rates
16	Michigan	Ameritech	\$ 0.35	N/A		\$ 2.05	\$ 2.40	Yes	Rates capped at 300% of average of carrier rates
17	Colorado	US West	\$ 0.35	N/A		\$ 1.85	\$ 2.20	Yes	Capped at RBOC (US West) tariff rates
18	Connecticut	SBC	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 1.75	\$ 2.10	Yes	Capped at RBOC (Bell Atlantic) tariff rates
19	Florida	Bell South	\$ 0.35	N/A		\$ 1.75	\$ 2.10	Yes	Collect call surcharges capped at \$1.75
20	Vermont	Bell Atlantic	\$ 0.35	N/A		\$ 1.65	\$ 2.00	No	
21	Missouri	SW Bell	\$ 0.35	N/A		\$ 1.60	\$ 1.95	No	
22	New York	Bell Atlantic	\$ 0.35	See note	Init 3 min \$.35, \$.05 ea. add'l 2 min	\$ 1.30	\$ 1.90	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
23	Kentucky	Bell South	\$ 0.35	N/A		\$ 1.50	\$ 1.85	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
24	New Mexico	US West	\$ 0.35	N/A		\$ 1.50	\$ 1.85	No	
25	Utah	US West	\$ 0.35	N/A		\$ 1.50	\$ 1.85	No	
26	Rhode Island	Bell Atlantic	\$ 0.35	See note	Init. 5 min \$.35, \$.05 ea. add'l 3 min	\$ 1.35	\$ 1.85	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
27	New Jersey	Bell Atlantic	\$ 0.35	See note	Init 4 min \$.35, \$.10 ea. add'l 4 min	\$ 1.26	\$ 1.81	No	
28	Arkansas	SW Bell	N/A	N/A	no per minute rate -- surcharge only	\$ 1.80	\$ 1.80	Yes	Capped at RBOC (SBC) tariff rates
29	Mississippi	Bell South	\$ 0.35	N/A		\$ 1.44	\$ 1.79	Yes	Capped at RBOC (BellSouth) tariff rates
30	Montana	US West	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 1.35	\$ 1.70	No	
31	Pennsylvania	Bell Atlantic	\$ 0.35	See note	Init 10 min \$.35, \$.05 ea. add'l 3 min	\$ *1.30	\$ 1.70	Yes	Capped at RBOC (Bell Atlantic) tariff rates
32	Louisiana	Bell South	\$ 0.35	See note	Init 5 min \$.35, \$.35 ea. add'l 5 min	\$ *.63	\$ 1.68	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
33	Arizona	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
34	Idaho	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	No	
35	Iowa	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
36	Minnesota	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	Yes	Capped at RBOC (US West) tariff rates
37	Oregon	US West	\$ 0.35	N/A		\$ 1.30	\$ 1.65	No	
38	Alabama	Bell South	\$ 0.35	N/A		\$ *1.25	\$ 1.60	Yes	Capped at tariffed rates of prevailing LEC for origination of call
39	Hawaii	GTE	\$ 0.35	N/A	rates detariffed -- \$.35 per call assumed	\$ 1.20	\$ 1.55	No	
40	Delaware	Bell Atlantic	\$ 0.35	N/A		\$ 1.10	\$ 1.45	No	
41	Nevada	SBC	\$ 0.35	N/A		\$ 1.00	\$ 1.35	Yes	Capped at RBOC (SBC) tariff rates
42	Massachusetts	Bell Atlantic	\$ 0.35	N/A		\$ 0.86	\$ 1.21	Yes	Capped at RBOC (Bell Atlantic) tariff rates
43	North Carolina	Bell South	\$ 0.35	N/A		\$ 0.80	\$ 1.15	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
44	Virginia	Bell Atlantic	\$ 0.35	N/A		\$ 0.75	\$ 1.10	No	
45	South Carolina	Bell South	\$ 0.35	N/A		\$ 0.70	\$ 1.05	Yes	Capped at tariffed rates of prevailing ILEC for origination of call
46	Washington	US West	\$ 0.35	N/A		\$ 0.65	\$ 1.00	Yes	Capped at maximum rate of any certificated ILEC in state
47	Maryland	Bell Atlantic	\$ 0.35	N/A		\$ *.60	\$ 0.95	Yes	Capped at RBOC (Bell Atlantic) tariff rates
48	West Virginia	Bell Atlantic	\$ 0.35	N/A		\$ *.60	\$ 0.95	Yes	Rates not capped by rule, but PUC has never allowed tariffed rate higher than Bell Atlantic
49	Tennessee	Bell South	\$ 0.35	N/A		\$ *.50	\$ 0.85	Yes	Capped at RBOC (Bell South) tariff rates
50	Alaska		N/A	N/A		N/A	N/A	N/A	N/A
						\$ 2.06			

* The surcharge allowed on inmate calls is lower than the surcharge allowed on regular collect calls in these states.

**Inmate Intra-LATA Collect Call Surcharges
November, 1999**

	State	RBOC	Surcharge
1	Indiana	Ameritech	\$3.00
2	Texas	SBC	\$3.00
3	Wisconsin	Ameritech	\$3.00
4	California	SBC	\$2.90
5	Kansas	SBC	\$2.90
6	Oklahoma	SBC	\$2.55
7	Illinois	Ameritech	\$2.50
8	Ohio	Ameritech	\$2.50
9	Georgia	Bell South	\$2.45
10	Alabama	Bell South	\$2.25
11	Idaho, So.	US West	\$2.25
12	Minnesota	US West	\$2.25
13	Nebraska	US West	\$2.25
14	North Dakota	US West	\$2.25
15	Wyoming	US West	\$2.25
16	Louisiana	Bell South	\$2.15
17	South Dakota	US West	\$2.10
18	Michigan	Ameritech	\$2.05
19	Mississippi	Bell South	\$2.01
20	West Virginia	Bell Atlantic	*\$2.00
21	Arkansas	SBC	\$1.80
22	Connecticut	SNET	\$1.75
23	Florida	Bell South	\$1.75
24	Colorado	US West	\$1.70
25	Vermont	Bell Atlantic	\$1.65
26	Missouri	SBC	\$1.60
27	New York	Bell Atlantic	\$1.58
28	Maryland	Bell Atlantic	\$1.55
29	Virginia	Bell Atlantic	\$1.55
30	Kentucky	Bell South	\$1.50
31	New Mexico	US West	\$1.50
32	Utah	US West	\$1.50
33	South Carolina	Bell South	\$1.50
34	Montana	US West	\$1.35
35	Rhode Island	Bell Atlantic	\$1.35
36	Arizona	US West	\$1.30
37	Idaho, No.	US West	\$1.30
38	Iowa	US West	\$1.30
39	Maine	Bell Atlantic	\$1.30
40	Oregon	US West	\$1.30
41	Pennsylvania	Bell Atlantic	*\$1.30
42	New Jersey	Bell Atlantic	\$1.26
43	North Carolina	Bell South	\$1.25
44	Washington	US West	\$1.25
45	Hawaii	GTE	\$1.20
46	Delaware	Bell Atlantic	\$1.10
47	New Hampshire	Bell Atlantic	\$1.05
48	Nevada	SBC	\$1.00
49	Massachusetts	Bell Atlantic	\$0.86
50	Tennessee	Bell South	*\$0.50
	Average =		\$1.75

* Note: Reduced Inmate Collect Surcharge required by state regulation.

 = Bell Intra-LATA Surcharge includes additional inmate service fee.

QUESTIONS ON THE NEED FOR FAIR COMPENSATION ON LOCAL COLLECT CALLS

DOCKET NO: 96-126

COMMENTS

JUNE 21, 1999

"Gateway and others have been able to successfully operate, earning a fair profit, under these same rate caps."

Gateway Technologies, Inc.

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"MCI Worldcom is therefore subject to the same surcharge limitations to which the Coalition members are subject. Were such surcharge limits as onerous as the Coalition suggests, no carrier would be willing to bid for contracts to service inmate populations."

MCI WorldCom, Inc.

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DOCKET NO: 96-126

REPLY COMMENTS

JULY 21, 1999

"If ICSPC were right, then Gateway, MCI the RBOCs and others would not be bidding on these contracts, as that would be economic suicide. That is simply not the case."

Gateway Technologies, Inc.

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THE FACTS:

**IN THE STATES WITH THE LOWEST RATE CAPS ON LOCAL COLLECT
CALLS, GATEWAY/T-NETIX, MCI WORLDCOM, AND AT&T DO NOT PROVIDE
LOCAL COLLECT CALL SERVICE TO A SINGLE JAIL.**

GATEWAY COUNTY FACILITIES

Estimated average revenue per local collect call

STATE	# FACILITIES	INMATES	CAPPED RATE/CALL	BASED ON FACILITIES	BASED ON INMATES
AR	17	1,497	\$ 1.80	\$ 30.60	\$ 2,694.60
AZ	1	1,100	\$ 1.65	\$ 1.65	\$ 1,815.00
CA	10	9,197	\$ 3.25	\$ 32.50	\$ 29,890.25
CO	3	1,837	\$ 2.20	\$ 6.60	\$ 4,041.40
IL	1	270	\$ 4.07	\$ 4.07	\$ 1,098.90
IN	5	954	\$ 3.35	\$ 16.75	\$ 3,195.90
IA	1	NA	\$ 1.65	\$ 1.65	
ME	3	411	\$ 3.19	\$ 9.57	\$ 1,311.09
MI	30	7,425	\$ 2.40	\$ 72.00	\$ 17,820.00
MO	1	2,800	\$ 1.95	\$ 1.95	\$ 5,460.00
MS	1	NA			
NM	10	1,160	\$ 1.85	\$ 18.50	\$ 2,146.00
NY	4	762	\$ 1.90	\$ 7.60	\$ 1,447.80
OH	2	2,650	\$ 2.85	\$ 5.70	\$ 7,552.50
OK	5	1,024	\$ 2.55	\$ 12.75	\$ 2,611.20
OR	11	1,254	\$ 1.65	\$ 18.15	\$ 2,069.10
PA	2	1,080	\$ 1.70	\$ 3.40	\$ 1,836.00
TX	8	994	\$ 3.00	\$ 24.00	\$ 2,982.00
UT	1	28	\$ 1.85	\$ 1.85	\$ 51.80
VA	24	5,538	\$ 1.10	\$ 26.40	\$ 6,091.80
WA	9	1,381	\$ 1.00	\$ 9.00	\$ 1,381.00
WI	2	274	\$ 3.35	\$ 6.70	\$ 917.90
22	151	41,636		\$ 311.39	\$ 96,414.24
				\$ 2.06	\$ 2.32

T-NETIX, INC. & SUBSIDIARIES
FINANCIAL STATEMENTS
PER SEC FILING 10-K 12/31/99

	T-NETIX		T-NETIX	
	YTD	%	YTD	%
	12/31/99	REV	12/31/98	REV
REVENUE:				
Telecommunications Services	39,274,000	53.63%	43,089,000	63.14%
Direct Call Provisioning	27,517,000	37.57%	22,736,000	33.32%
Equipment Sales & Other	6,444,000	8.80%	2,416,000	3.54%
O/S Income	73,235,000		68,241,000	
COST OF GOODS SOLD:				
Telecommunications costs	17,674,000	24.13%	17,014,000	24.93%
Direct Call Provisioning	25,032,000	34.18%	20,048,000	29.38%
Cost of Equipment Sold & Other	3,615,000	4.94%	848,000	1.24%
Total Cost of Sales	46,321,000	63.25%	37,910,000	55.55%
Gross Profit	26,914,000	36.75%	30,331,000	44.45%
G&A:				
Selling, General & Administrative	13,794,000	18.84%	13,401,000	19.64%
Depreciation / Amortization	11,620,000	15.87%	10,174,000	14.91%
Impairment of Telecommunication Assets	4,632,000	6.32%	0	0.00%
Research & Development	5,078,000	6.93%	3,936,000	5.77%
Total G&A	35,124,000	47.96%	27,511,000	40.31%
Net Income from Operations	(8,210,000)	-11.21%	2,820,000	4.13%
Merger transactions expenses	(1,017,000)	-1.39%		
Interest Expense & Other Income	(2,137,000)	-2.92%	(2,354,000)	-3.45%
Net Income Before Income Taxes	(11,364,000)	-15.52%	466,000	0.68%

INDEPENDENT INMATE PHONE SERVICE PROVIDERS

(as of May, 2000)

<u>Previous Providers</u>	<u>Status</u>	<u>Current Coalition Providers</u>
AmeriTel Pay Phones, Inc.	Sold	Evercom
Blair Communications	Sold	Global Telink
Coin Telephone	Sold	McLeod USA
Consolidated Communications	Sold	Pay Tel Communications, Inc.
Correctional Communications Corp	Sold	Public Communications Services
DGI Communications	Out of business	
Executone Corrections Division	Sold	
Harris Corp	Sold	
InVision Telecom, Inc.	Sold	
Kantel	Sold	
KR&K	Sold	
London Communications, Inc.	Sold	
M.O.G. Communications, Inc.	Sold	
North American Communications	Went under	
North American Intelcom	Sold	
OPUS	Halted installations/for sale	
PayCom	Sold	
Payphone Systems	Sold	
Paytel of America	Sold	
Peoples	Sold	
Quest Telecommunications	Sold	
Robert Cefil & Associates	Sold	
Saratoga Telephone	Sold	
Talton Communications	Sold	
Tataka	Sold	
Tel America	Sold	

EVERCOM, INC.
STATEMENT OF OPERATION
PER SEC FORM 10-K
FOR THE TWELVE MONTHS ENDING 12/31/99

Year-To-Date 12/31/99	% REV
--------------------------	----------

REVENUE:

Operating Revenues 236,801,000

COST OF GOODS SOLD:

Telecommunications costs	104,376,000	44.08%
Facility Commissions	71,359,000	30.13%
Field operations and maintenance	6,428,000	2.71%

Total Cost of Sales 182,163,000 76.93%

Gross Profit 54,638,000 23.07%

G&A:

Selling, General & Administrative	17,214,000	7.27%
Depreciation / Amortization	28,727,000	12.13%
Restructuring Costs	(69,000)	-0.03%

Total Selling, general and admin 45,872,000 19.37%

Net Income from Operations 8,766,000 3.70%

Interest Expense	19,458,000	8.22%
Other Income	(7,000)	0.00%

Total other (income) expense 19,451,000 8.21%

Net Loss Before Taxes (10,685,000) -4.51%



QUESTION OF PROFITABILITY OF INMATE CALLING SERVICES

"Whether or not some local calls are below-cost, there is no argument that toll calling rates and surcharges are below cost, or that overall inmate payphone services are unprofitable."

Gateway Technologies, Inc.

Reply Comments - Docket No. 96-126

July 21, 1999

"The shortfall in each case is attributable to the unsupported intimation that these states have also imposed a rate cap on all intralata calls....But if revenue from uncapped intralata calls were included, under recovery claims would probably no longer be supported."

MCI WordCom, Inc.

Reply Comments - Docket No. 96.126

July 21, 1999

NC, SC & TN COUNTY JAIL INMATE CALLING SERVICE PROFITABILITY ANALYSIS

12 MINUTE INMATE COLLECT CALLS

MONTHLY ANALYSIS BASED ON 268 CALLS PER LINE

<u>TYPE OF CALL</u>	<u>% of CALLS</u>	<u># of CALLS</u>	<u>PRICE of CALL</u>		<u>COST of CALL</u>		<u>MARGIN on CALL</u>		<u>MARGIN/ TYPE of CALL</u>
LOCAL	81%	218	\$ 1.02	¹	\$ 2.18	⁵	(1.16)	\$	(252.88)
INTRA-LATA	9%	24	\$ 3.29	²	\$ 3.99	⁵	(0.70)	\$	(16.80)
INTER-LATA	5%	13	\$ 4.82	³	\$ 3.99	⁵	0.83	\$	10.79
INTERSTATE	5%	<u>13</u>	\$ 12.23	⁴	\$ 5.79	⁶	6.44	\$	83.72
		268						\$	(175.17)

Footnotes:

- 1) Average of state local call **rate caps**: NC \$1.15, SC \$1.05, TN \$0.85
- 2) Average of state intra-LATA call **rate caps** for a 12-minute inmate call: NC \$3.25, SC \$4.47, TN \$2.15
- 3) Average of state inter-LATA call **rate caps** for a 12-minute inmate call: NC \$4.21, SC \$6.72, TN \$3.54
- 4) Price based on AT&T-tariffed Interstate inmate collect call rate
- 5) Costs based on averages of NC, SC & TN "bottoms-up" cost analyses using a 30% commission rate and 19% unbillables/uncollectibles
- 6) Interstate costs based on average of NC, SC & TN "bottoms-up" cost analysis using a 40% commission and 19% unbillables/uncollectibles

UNMET GOALS OF SECTION 276 JEOPARDIZE BOTH THE INDUSTRY AND CONSUMERS

"We are unaware of any public policy reason why users of interstate operator services should be required to subsidize users of intrastate operator services."

*Billed Party Preference for InterLATA 0+ Calls, CC Docket No. 92-77
Second Report and Order and Order on Reconsideration, FCC 98-9
Released January 29, 1998*

To make up for losses on overall call traffic due to intrastate rate caps, the rate of interstate calls would need to be increased by \$13.47 to \$25.70.

NC/SC/TN Example:

Total Monthly Loss Per Line	=	\$175.17
\$175.17 divided by 13 Interstate Calls	=	\$ 13.47
Current AT&T Rate \$12.23 + \$13.47	=	\$ 25.70

THE FCC MUST ACT NOW to ensure fair compensation for each and every intrastate and interstate call.

**QUESTIONS ON THE OBJECTIVE OF CARRIERS OPPOSING
A COST-BASED RATE MECHANISM**

DOCKET NO: 96-126

COMMENTS

JUNE 21, 1999

"The level of commission required by the inmate facilities is the most critical single element in the establishment of rates."

Cincinnati Bell

Page 2

"These rates are established in a competitive market by nondominant carriers that have no cost support requirements."

MCI WorldCom, Inc.

Page 3

"...costs of serving a particular inmate facility...are negotiated as a matter of contract among the various parties...."

AT&T

Pages 1 & 2

"ANY COMMISSION INMATE RATE REGULATION SHOULD MIRROR THE LARGEST INTERSTATE CARRIERS' INMATE SURCHARGE AND MTS RATES."

Gateway Technologies, Inc. Page 7

AT&T

INMATE RATES

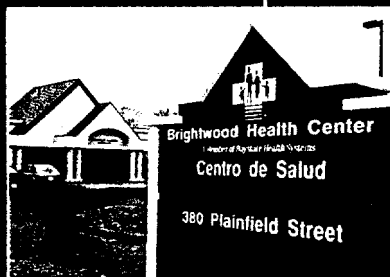
STANDARD COLLECT RATES

<u>DATE</u>	<u>InterState Surcharge/ Per Minute Rate</u>	<u>Total Cost of 12 Minute Call</u>	<u>InterState Surcharge/ Per Minute Rate</u>	<u>Total Cost of 12 Minute Call</u>
November 19, 1997	\$3.00 / \$.40	\$7.80	\$2.25 / \$.40	\$7.05
October 17, 1998	\$3.00 / \$.45	\$8.40	\$2.25 / \$.45	\$7.65
November 21, 1998	\$3.00 / \$.50	\$9.00	\$2.25 / \$.50	\$8.25
March 1, 1999	\$3.00 / \$.55	\$9.60	\$3.45 / \$.55	\$10.05
July 8, 1999	\$3.00 / \$.59	\$10.08	\$3.45 / \$.59	\$10.53
July 22, 1999	\$3.95 / \$.59	\$11.03	\$3.45 / \$.59	\$10.53
December 1, 1999	\$3.95 / \$.59	\$11.28	\$3.45 / \$.59	\$11.73
March 1, 2000	\$3.95 / \$.69	\$12.23	\$4.99 / \$.69	\$13.27

JANUARY/FEBRUARY 2000

THE MAGAZINE OF THE AMERICAN JAIL ASSOCIATION

JANUARY/FEBRUARY 2000



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CORRECTIONS

April 2000

Magazine



2000 WINTER CONFERENCE COVERAGE AND 130TH CONGRESS OF CORRECTION PREVIEW



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USWEST

Annual Luncheon Speaker



All photos by Robert Corwin

Barbara Bush Stresses Family and Literacy

Greeted with a deluge of applause, former First Lady Barbara Bush addressed a full house at the 2000 Winter Conference Annual Luncheon. Although Bush humored the audience with a number of stories and observations, such as the fact that one in eight Americans is governed by a Bush, she left attendees with a very strong message — literacy matters.

"If more people in this country could read, write and comprehend, so many of our social problems could be solved," Bush said. She noted that 70 percent of the prison population score in the two lowest literacy levels. Thus, said Bush, they cannot even read a credit card bill.

The Barbara Bush Foundation has given more than \$6 million to 208 literacy programs throughout the country, some of which has gone to jail and prison programs. "I congratulate you and salute your efforts," Bush said, stressing that if we give the gift of literacy to inmates, we decrease their chances of re-entering the system.

For our nation's youths, the key is prevention and, according to Bush, part of prevention is giving children the tools they need to learn to read and write. She noted that reading develops a child's confidence, creativity and love for learning. This, she said, begins in the home. "Please remember to read to your children and grandchildren, and remember to turn off the TV once in a while," said Bush.

Unfortunately, Bush said, the average kindergarten student has seen 5,000 hours of TV, more time than it takes to earn a college degree. "No matter what you do in life, your family must be your No. 1 priority," she said. "There is no better way to spend quality time with children than to put your arms around them and read to them or have them read to you."

According to Bush, sometimes we think too hard to find an answer when it's obvious. "In order to make our country stronger, we need to build stronger families and this begins in our homes and in our communities," she said.

Recognizing that many American families have two working parents, Bush told the audience she understands that feeling like there is never enough time is expected.

SPECIAL THANKS TO OUR SPONSORS!!!

SOUTHWESTERN BELL CORRECTIONAL SERVICES



Annual Luncheon Sponsors:

A packed house greeted Former First Lady Barbara Bush for Tuesday afternoon's Annual Luncheon. After enjoying a delicious lunch, Mrs. Bush spoke to the record crowd on the importance of literacy as one means to an end to various social problems. Her charisma and warm demeanor helped drive home the hope found in her message. Special Thanks go to Canteen Correctional Services and NORIX Group, Inc. for sponsoring the Annual Luncheon and to Southwestern Bell Correctional Services and Wackenhut Corrections Corporation for sponsoring keynote speaker, Barbara Bush.

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Web Site: www.wackenhut.com

Contact: Les Gay, Business Development

Wackenhut Corrections Corporation (WCC) is keenly aware of potential crises that municipal, county and state governments currently face relative to budget and fiscal constraints. Within these limitations, the corrections component of the criminal justice system is placed under great pressure to resolve overcrowding and public safety issues. Wackenhut Corrections takes pride in its development of new and innovative approaches to corrections. These improvements assist in the planning and development of enhanced criminal justice systems throughout the world. Wackenhut Corrections not only manages existing prisons on behalf of governmental agencies, but WCC has also been at the forefront in the development of full design, finance, construction and management packages for new facilities. This fast track approach as developed and utilized by Wackenhut results in monetary and time savings for the government with no decrease in the overall quality of services. Wackenhut Corrections currently has 55 correctional facilities under contract and/or award in the United States, Australia, England, Scotland, Canada, Puerto Rico, New Zealand and South Africa. These contracts or awards total 38,669 beds and include pre-trial and sentenced adult and juvenile male and female offenders and special needs populations. ♦



Wayne Calabrese of Wackenhut Corrections shares the spotlight with Barbara Bush

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(continued)



Brian Holloway interacts with Conference attendees

2000 Winter Conference Closing Breakfast Keynote Speaker Brian Holloway

Wednesday's Closing Breakfast served as a rousing send-off and a terrific wrap up to a productive Conference week for attendees, as ACA's guests received a hot morning meal and a truly motivational message. Greater sustenance for the spirit was provided by guest speaker, Brian Holloway, who has been a great achiever both on and off the football field. Mr. Holloway spoke about striving towards perfection through determination, analysis and practice while always maintaining balance in life by enjoying the lighter side of family and friends. His message of taking the corrections profession seriously without taking ourselves too seriously won the crowd over and stayed with attendees as they left for crosstown or cross-country. Our gratitude goes out to U S WEST Communications for sponsoring Keynote Speaker Brian Holloway and to Carter Goble Associates, Inc. for sponsoring the Closing Breakfast!

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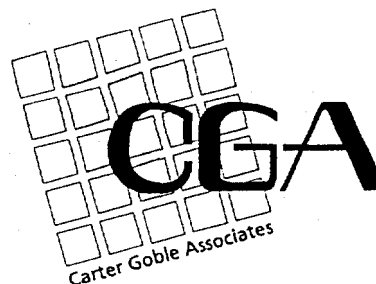
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Jim Crouch of U S WEST with Keynote Speaker
Brian Holloway

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(continued page 84)

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(continued page 92)

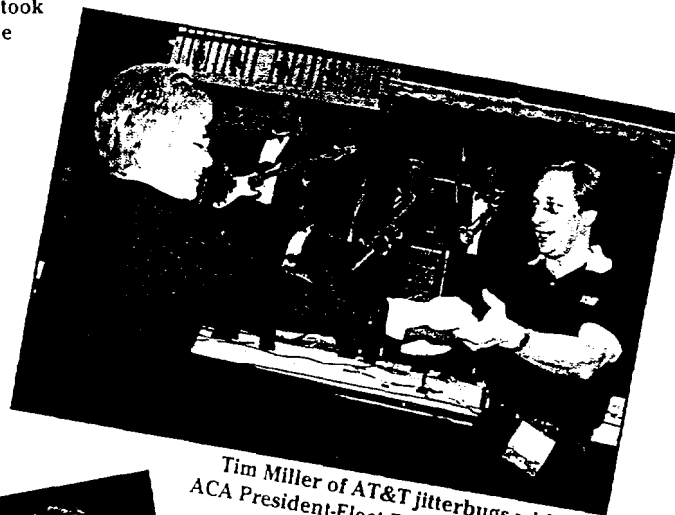
2000 Winter Conference Get-Acquainted Reception *ACA and AT&T Invite Attendees to Bid A Fond Farewell to the 20th Century!*



The Vinny DiJohn Band took attendees back in time

Monday night's Exhibit Hall Get-Acquainted Reception helped bid "A Fond Farewell to the 20th Century." Corrections and corporate professionals alike reminisced as the Vinny DiJohn Band played musical flashbacks from the 20's to the 90's. Old-time movie posters and a Groucho Marx look-alike helped set the mood for this fun evening event while attendees crowded the dance floor as Vinny belted out favorite tunes from everyone's past.

Our warmest thanks go out to AT&T for sponsoring this event.



Tim Miller of AT&T jitterbugs with ACA President-Elect Betty Adams Green



Brian Timmis and Kathryn Nichols of AT&T "get down" on the dance floor

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2000 WINTER CONFERENCE GRAND PRIZE GIVEAWAY: A TRIP FOR TWO TO PARIS!



ACA Board of Governors Representative Sharon Neumann can't believe she won!

Assistant to the Warden and Accreditation Manager for the Central New Mexico Correctional Facility at Los Lunas, won third prize: a high-tech digital camera. Congratulations to all the winners!

Thank You, Sponsors, for Your Support!

If you were in the Exhibit Hall at the time the winning entry was drawn for the Exhibit Hall Grand Prize Giveaway Game, you surely heard the jubilant scream of the winner, Sharon R. Neumann. "Oh, wow! I've won!" she cheered. "Oh, wow I've won!" Ms. Neumann will enjoy a trip for two to **Paris, France**, including airfare, luxury accommodations, museum passes, designer luggage, a state-of-the-art camera, spending money, and much more.

Ms. Neumann serves on the American Correctional Association's Board of Governors. She is the Regional Administrator for the Oklahoma Department of Corrections' Division of Community Sentencing in Oklahoma City. Ms. Neumann doesn't think she'll have any trouble finding a traveling companion for her trip. "I suddenly have a lot of new friends!" she remarked.

The second prize, a pair of elegant Gucci watches, went to **Shirley Trapani**, Professional Counselor for the Travis County Sheriff's Office in Austin, Texas. **Gladys Sanchez**, Executive



From left to right: Back: Frank Roberts (Durrant), John Bonassi (Dick Corporation), Jim Isaf (Heery), Dominic Lisa (CCC), Pat Liddy (Bell Atlantic). Front: Roland Oliveira (Northern Technologies), Sharon Neumann, ACA President Richard Stalder and Rich Rheingruber (Cooper)



Gladys Sanchez, runner up, shows off her digital camera with Pat Liddy of Bell Atlantic

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Product & Market Manager, Corrections/Government

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E-mail: jamesball@correctionscorp.com

Contact: James H. Ball, Vice President, Business Development



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(continued)

Thank You Awards Banquet Sponsors

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E.R. Cass Awards Banquet Reservation

Here are three EASY ways you can purchase tickets for the E.R. Cass Awards Banquet:

PHONE IT IN! Call ACA's conventions staff toll free at (800) 222-5646, ext. 1922, and use your VISA, MasterCard, American Express or Diners Club credit card.

FAX IT IN! If you are using one of the credit cards above, fax the completed form to (301) 918-8198.

MAIL IT IN! Simply mail the completed form with your check (payable to the ACA E.R. Cass Awards Banquet) or credit card information to: American Correctional Association, Conventions Department, 4380 Forbes Boulevard, Lanham, Maryland 20706-4322.

Tickets may be purchased individually; however, tables can only be reserved by purchasing a block of ten tickets. ACA cannot guarantee seating requests for a table of fewer than ten people. All reservations must be made by **JULY 19, 2000**. No refunds will be made unless a written request is received on or before **JULY 19, 2000**.

Please reserve _____ tickets @ \$43 each for the ACA E.R. Cass Awards Banquet to be held on Wednesday, August 16, 2000.

Name _____ Title _____

Agency/Organization _____ Address _____

City _____ State _____ Zip _____ Phone _____

Fax _____ E-Mail _____

___ Enclosed is my check in the amount of \$ _____, made payable to the ACA E.R. Cass Awards Banquet.

___ I wish to pay with my credit card: VISA, MasterCard, American Express, Diners Club (circle type of card).
Additional card info below:

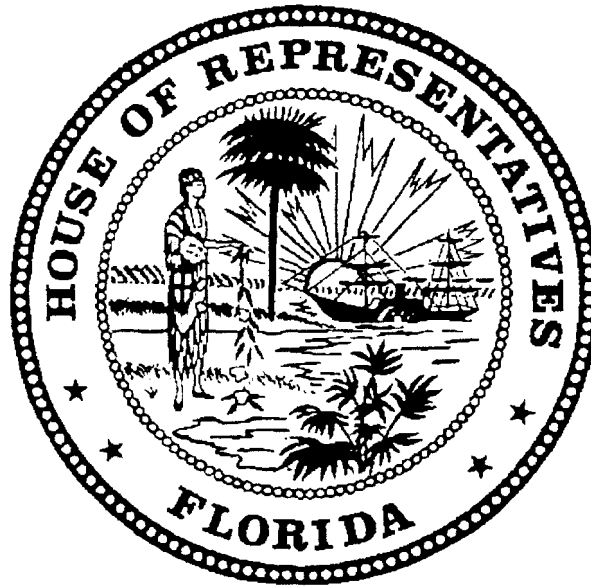
Card number _____ Exp. Date _____ Authorized Signature _____

Reservations will be accepted through July 19, 2000, or until tickets are sold out.

(Payment must accompany this form.)

Maintaining Family Contact When a Family Member Goes to Prison

An Examination of State Policies on Mail, Visiting, and Telephone Access



**Florida House of Representatives
Justice Council
Committee on Corrections
Representative Allen Trovillion, Chair**

November 1998

Exhibit 12

TELEPHONE CONTRACTS AND COMMISSIONS			
State / Inmate Population	Telephone Provider	Commission Rate	DOC Profits FY 97-98
Texas Pop: 129,661	SW Bell	Not Applicable	
	AT&T		
California Pop: 124,813	MCI	43%	\$15 million
	GTE	33%	
New York Pop: 69,529	MCI	60%	\$20-21 million
	Bell Atlantic	60%	
Florida Pop: 65,117	MCI	50%	\$13.8 million
	Sprint	57.5%	
Ohio Pop: 47,166	MCI	35%	\$14.1 million
	Shawntech	35%	
Michigan Pop: 41,625	Sprint	34%	\$10.3 million (3 quarters only)
	Ameritec	30%	
	GTE (local)	18%	
Illinois Pop: 40,686	Consolidated	50%	\$12-16 million
	AT&T	50%	
	Ameritec	50%	
Georgia Pop: 36,753	Sprint	37%	\$10-12 million
	Bell South	46%	
Pennsylvania Pop: 34,696	Tenetics	50%	\$3 million
	Bell-Atlantic	50%	
	AT&T	50%	
	GTE	30%	
N. Carolina Pop: 31,312	Taltons	46%	\$7 million (projection)
Virginia Pop: 24,629	MCI	39%	\$10.4 million
Missouri Pop: 23,850	MCI	55%	\$ 9-11 million
	Eagle Com.	25%	
	SW Bell	25%	

Source: Telephone survey conducted by committee staff from July to September, 1998

Bell Atlantic Bid No.2



PROPOSAL FOR
INMATE TELEPHONE
SYSTEM
FOR
THE NEW RIVER
VALLEY REGIONAL
JAIL

Bell Atlantic

Bell Atlantic Response:

Bell Atlantic's commissions will be "based on 43 percent (43%) of all customer billed revenues (CBR). CBR is defined as all charges for originating inmate collect calls accepted by and billed to the customer, without deduction for fraudulent or uncollectible calls. Bell Atlantic shall not apply any facility surcharges to the cost of a call to cover these items."

- H. Provide your company's monthly average bad debt percentages for the last 24 months from the major telephone companies serving Virginia.*

Bell Atlantic Response:

As the major telephone company of Virginia there is no bad debt percentage to provide.

Bell Atlantic

At the close of the calendar month all data, as described above, are retrieved and totaled by the Commission System. The Commission System applies the predetermined commission percentage. A check is generated each month and forwarded to our Check Printing Center for distribution to the customer.

AT&T will accumulate all non-cash billing data from all public and inmate telephones in the Jail. This data is captured by telephone number and stored on tape for transmission at the end of each month to the commission system.

- G. *The vendor shall directly handle all complaints from the parties called by the inmate. Provide a copy of a sample page from a customer's bill showing how the calls are billed.*

Bell Atlantic Response:

The Bell Atlantic Team will handle all complaints from parties called by the inmates. Please see a copy of Bell Atlantic's customer telephone bill in Appendix XIV.

- H. *Provide Uncollectibles history with local telephone companies and describe how your company limits Uncollectibles.*

Bell Atlantic Response:

As the largest local telephone company in Virginia there is no uncollectable history to provide.

- I. *The vendor shall be responsible for all costs associated with the inmate telephone system, including purchase, installation, service, maintenance, and operation. The facility shall bear no responsibility for any costs pertaining to the system.*

Bell Atlantic Response:

Bell Atlantic will be responsible for all costs associated with the inmate telephone system, including purchase, installation, service, maintenance and operation. The New River Valley Regional Jail will bear no responsibility for any costs pertaining to the system.

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)

Implementation of the Pay Telephone)
Reclassification and Compensation)
Provisions of the Telecommunications)
Act of 1996)

CC Docket No. 96-128

**REPLY COMMENTS OF THE INMATE CALLING
SERVICE PROVIDERS COALITION**

Albert H. Kramer
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Attorneys for the Inmate Calling Service
Providers Coalition

July 21, 1999

as normal, regulated collect calls."). If Bell Atlantic and other BOCs are free to continue to treat the revenues and uncollectibles from inmate collect calling as regulated, then those revenues will continue to be subsidized by their local exchange services revenue, in direct contravention of Section 276.

That the BOCs are still subsidizing and discriminating in favor of their inmate operations is confirmed by their own joint venture partner. In a recent Securities and Exchange Commission filing made in connection with its merger with T-Netix, Inc., Gateway discloses that the Coalition is seeking a correction of the Commission's erroneous ruling concerning the scope of the deregulated ICS. Gateway then states that

This petition requires the LECs to provide separate accounting records for their public communication segments which includes inmate calling. The regulations that may result from the petition could require LECs to allocate more of their costs to inmate calling services, thereby making the RBOC customers of Gateway less competitive in this market, which in turn could have a material adverse effect on Gateway.

Proxy Statement of T-Netix, Inc., May 13, 1999, 39. That Gateway believes that, if the BOCs' subsidization and discrimination was terminated, it would have enough of an impact on the BOCs to, in turn, have a materially adverse effect on Gateway underscores the critical need for the Commission to correct its erroneous ruling.

III. THE PROPOSALS OF CURE/AFSC UCAN CONCERNING INTERLATA RATE CAPS ARE BEYOND THE SCOPE OF THE PROCEEDING

CURE/AFSC propose that the Commission impose a cap on interstate inmate collect calling rates. This proposal is plainly beyond the scope of the remand proceeding before the Commission. The question before the Commission is what the Commission must do to ensure the fair compensation guaranteed to ICS providers by Section 276 in light of the state-imposed rate ceilings on local inmate collect calls. In any case, the Commission has already considered, and rejected interstate rate ceilings in its Billed Party Preference proceeding. [cite]. There is no